R J Reynolds
Tobacco Company

M. J. McHugh
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N. Y. Metro Region
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January 21, 1998

To: Don Fitzgerald

Subject: **N. Y. Metro Low Volume / Territory Rep Program**

Dear Don:

Below you will find the information requested regarding the N. Y. Metro Region Territory Rep Program. As you are aware, we began this program at the beginning of 1996. We have acquired some significant learning along the way. Over the next several weeks we will be taking a close look at our current structure to see if we can benefit from increased Territory Rep penetration. With the proposed N. Y. City advertising restrictions looming, we feel that in many cases it just does not make good business sense to send two bodies into many of our retail calls. We will still have some significant volume players that will require us to maintain the current Sales Force 2000 structure.

The most important lesson that we have learned is that marketplace penetration is key to achieving our objectives. The more stores that we can drive our product availability, promotional execution, display and advertising presence in, the better our SOM results.

Due to the heavy concentration of lower volume retail calls in our region, the original SF 2000 structure put us behind the eight ball. There is no way that we could have effectively moved the needle with us not contacting over 40% of our CIV.

Current N. Y. Metro Structure

66 Selling Heads
- 42 Sales Rep Assignments
- 24 Territory Rep Assignments

41 Retail Rep Assignments

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Source: https://www.industrydocuments.ucsf.edu/docs/hfdp0000

Below is a breakout of our independent call coverage.

Volume Criteria	# Doors	% Doors	% CIV
SR calls 100+ cpw	4660	25%	60%
TR calls < 99 cpw	13929	75%	40%
4Q 1997 Penetration	12358	66%	86%
Year 1997 Penetration	14366	77%	92%

As you can see, by tweaking the structure we have been able to cover considerably more CIV than the original plan afforded us.

Below is a breakout of Industry displays in Territory Rep calls < 99 cpw

Company	# Displays	% CIV < 99cpw	Average Volume
RJR Contracted Disp	1398	7%	71
RJR Disp	2305	11%	64
PM Disp	2113	9%	60
BAT Disp	1431	6%	62
LOR Disp	1129	5%	60

As you can see, we are in the best position as far as permanent displays in these calls. What we did was blaze the trail. Once the competition saw what we were doing in these calls they quickly reacted and jumped in. The majority of the displays we place in these outlets are temporary/DPC. So we are actually in better shape than the merchandising tables show us to be.

The calls that are contracted under 99 cpw are utilizing our MC plan. The MC contract enables us to establish a permanent footprint while locking in some permanent advertising. The MC contract gives us great flexibility to achieve our objectives on an account by account basis. Either 1, 2 or 3 permanent displays are utilized in an account based on the account's potential. The payment flexibility enables to achieve presence extremely cost effectively. Our MC contracts vary from $15 - $60 per month, based on the commitment of the retailer, store volume, number of footprints and permanent advertising pieces. These contracts are not for all low volume calls. Only our true "Low Volume Players" earn an MC contract.

The key to success in a low volume program is focus. Our Territory Reps are highly focused on call count and marketplace penetration. They strive to work every call on the block to create impact. Their focus must remain while making the call. They sell one to two Full Priced temporary displays per call. Doral is sold opportunistically, where it shows potential. As they develop accounts over time, other brands are added to the mix as opportunity presents itself. The Territory Reps primary focus is on Winston and Salem. These brands offer us the most opportunity for long term brand growth in the lower volume calls in our market.

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The first step in developing the Territory Rep assignments is call identification. Most Territory Rep. assignments in our market started with approximately 800+ calls. The rep needs to work through these calls and identify who the players are. The first clue is if they buy a promotion. If they are buyers we call on them again in the near future. This coverage is either 6 week, quarterly or semi-annually depending on the opportunity presented in the account. Once complete coverage is made the rep has a fairly good idea of who the players are in his assignment. The typical Territory Rep assignment ends up with approximately 500 - 600 calls that want to sell cigarettes. If they don't buy and appear disinterested they are sent to the Z00. Periodically, the Z00 calls are reset to A01 and the process begins all over again. It took us approximately two years to get to this point. We were able to identify some new players by revisiting this discovery process. The Winston and Salem repositionings presented opportunities for us to go back and see if these calls had become "Low Volume Players". Things change in the marketplace i.e; store ownership, so it is important to revisit these calls once the assignment is up and running.

Territory Reps work all calls under 100 cpw. They also call on selected calls above 100 cpw. These calls include, stores with tight cash flow or that buy from sub-jobbers where our prebooking efforts don't work. Many of these calls are in high security areas where retailers maintain bare bones inventory. They purchase their needs on a daily basis. Brand selection is extremely limited in these calls. They tend to have an overdeveloped Newport or Marlboro share dependent on the neighborhood. These types of locations require us to sell on the spot and bring in the inventory or we won't get it in at all.

I hope this information is useful to you.

If you have any questions, please give me a call.

Sincerely,

Mike

cc: M. A. Young
R. J. O'Rourke

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Source: https://www.industrydocuments.ucsf.edu/docs/hfdp0000